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State objects to American Tissue liquidation request

By Harry R. Weber, Associated Press

CONCORD — A request by bankrupt American Tissue Inc. to be allowed to liquidate personal property is too broad and could jeopardize the reopening of its North Country mills, a state official said Wednesday.

Lawyers for the company, which owns the Pulp and Paper of America mills in Berlin and Gorham, filed a request late Tuesday with the U.S. Bankruptcy Court in Delaware for permission to sell or abandon "non-essential" assets, including personal property and inventory, to pay off creditors.

The company said it has reduced or is in the process of reducing operations at several unspecified facilities.

"As a result, the debtors have inventory and other non-essential assets at the non-operating facilities that can be sold to generate value to creditors of the debtors' estates," the motion states. "The debtors have no further need for the personal property except to liquidate (it) and generate value for creditors."

Because the motion does not specify which property the company wants to get rid of, New Hampshire officials are worried Pulp and Paper of America could be stripped of equipment that would discourage prospective buyers from acquiring the mills, Assistant Attorney General Peter Roth said.

"If they're trying to capitalize on personal property by basically stripping the mills, then I have a problem with it," said Roth, who represents New Hampshire's interests in the bankruptcy case.

The state will file an objection to the request over the next two weeks, Roth said. The objection deadline is Dec. 24. A hearing in Wilmington, Del., is set for Jan. 4.

American Tissue's bankruptcy lawyer, Laura Davis Jones, did not return a call seeking comment. American Tissue's mill in Augusta, Maine, which converted waste paper into tissue, closed in late August. Superfund Records Center

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In New Hampshire, state and local officials have been trying since the Sept. 10 bankruptcy filing to keep the mills intact so that they would have a chance of reopening and putting the 860 workers of the region's largest private employer back on the job. Last month, the city of Berlin sought to keep a leasing company from seizing equipment from the mills to repay money it is owed.

Provident Leasing Corp., a division of Cincinnati-based Provident Bank, asked the court to allow it to repossess lab testing and air compression equipment from Pulp and Paper's Burgess mill in Berlin.

Provident said the mill's parent company, Hauppauge, N.Y.-based American Tissue, is in default on a 1999 lease agreement requiring it to pay nearly \$670,000 for the equipment.

Lawyers for the city have said allowing Provident essentially to dismantle the factory would create public safety concerns and affect the value of the pulp mill and its sister paper mill in neighboring Gorham.

Roth said he has similar concerns with Tuesday's motion. But he said he believes American Tissue wants to do the right thing in New Hampshire.

American Tissue, one of the largest tissue and paper companies in the country, owns mills stretching from Maine to Oregon. It has holdings in 19 states, and at its height employed 4,200 people.

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